

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF SHELBY RECC FOR)	
THE AUTHORIZATION TO BORROW SEVEN)	
HUNDRED EIGHTY-SEVEN THOUSAND SIX)	
HUNDRED TWENTY-NINE (\$787,629.00))	
DOLLARS FROM NATIONAL RURAL)	
UTILITIES COOPERATIVE FINANCE)	CASE NO. 91-451
CORPORATION, AND TO EXECUTE A NOTE)	
FOR SAID SUM; AND FOR A CERTIFICATE)	
OF PUBLIC CONVENIENCE AND NECESSITY)	
TO MAKE CERTAIN EXTENSIONS AND)	
IMPROVEMENTS TO ITS SYSTEM)	

O R D E R

Shelby Rural Electric Cooperative Corporation ("Shelby") filed its application on December 20, 1991 for a Certificate of Public Convenience and Necessity to construct certain improvements and additions to its existing plant, for approval to borrow funds, and to execute notes to secure such loan. These improvements and additions, more specifically described in the application, are estimated to cost \$2,570,629 and will be financed by a \$1,783,000 loan from the Rural Electrification Administration ("REA") and a \$787,629¹ loan from the National Rural Utilities Cooperative Finance Corporation ("CFC").

¹ The amount borrowed from CFC includes the purchase of capital term certificates, in an amount equal to 3 percent of the total CFC loan. CFC requires its borrowers to purchase these certificates. The purchases required of Shelby for this loan total \$23,629. The total amount of the REA and CFC loans equals \$2,547,000.

On March 24, 1992, the Commission issued an Interim Order granting Shelby a Certificate of Public Convenience and Necessity for the proposed construction, but deferred ruling on the proposed loans because neither REA nor CFC had yet agreed to make them. On May 21, 1992, Shelby filed a copy of correspondence received from REA approving its loan. On June 3, 1992, a copy of the correspondence approving the CFC loan was filed.

The Commission, after consideration of the evidence of record and being advised, finds that:

1. The proposed loan from CFC is for lawful objects within the corporate purposes of Shelby, is necessary and appropriate for and consistent with the proper performance by Shelby of its service to the public, and will not impair its ability to perform that service.

2. Shelby is capable of executing its notes as security for the loan as stated herein.

3. Shelby should select the interest rate program which will result in the net lowest cost of money to it over the term of the financing.

4. Within 10 days of its selection of the interest rate program, Shelby should notify the Commission in writing of the interest rate program selected and of the reasons for its selection.

5. The proceeds from the proposed loans should be used only for the lawful purposes set out in Shelby's application.

6. Shelby should include in its monthly financial report to the Commission the current interest rate on its outstanding variable rate loans.

7. As the issuance of securities or evidences of indebtedness subject to the control of a federal governmental agency do not require Commission approval, KRS 278.300(10), and as the REA is an agency of the federal government, no action on Shelby's proposed loan from the REA is required.

IT IS THEREFORE ORDERED that:

1. Shelby be and it hereby is authorized to borrow \$787,629 from CFC for a 35-year period and bearing either a fixed or variable interest rate, as chosen by Shelby, at the time the first monies are drawn from CFC, subject to the provisions and terms of the application with respect to renegotiation of the interest rate.

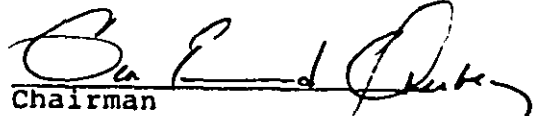
2. Shelby be and it hereby is authorized to execute its notes as security for the loan herein authorized.

3. Shelby shall comply with all matters set out in Findings 3 through 6 as if they were individually so ordered.

Nothing contained herein shall be deemed a warranty or finding of value of securities or financing authorized herein on the part of the Commonwealth of Kentucky or any agency thereof.

Done at Frankfort, Kentucky, this 29th day of June, 1992.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director, Acting